Nova Scotia Department of Finance

Business Plan
2002/03

NOVA SCOTIA
Department of Finance

April 4, 2002

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BUSINESS PLAN 2002/03

Mission Statement

To establish a fiscal climate conducive for economic growth and to provide central agency support and policy direction for effective management of the Province's finances.

Planning Context

The department faces a number of opportunities and challenges in achieving its strategic goals:

- Developing a sustainable fiscal plan amid uncertain economic circumstances.
- Ensuring increased interdepartmental and intergovernmental collaboration and participation on critical financial issues affecting Nova Scotia.
- Providing effective investment and debt management services to the province and related entities.
- Providing efficient and effective corporate services to all associated departments and agencies, managing increasing work demands and meeting greater client needs.
- Recruiting and maintaining a skilled, well-trained, and motivated workforce.

The Department's main resource is its staff consisting of experienced professionals in the fields of financial analysis and accountability, investment, debt and cash management, economics, taxation, federal-provincial fiscal arrangements, statistics, policy development, government accounting, and corporate services.

The Communications Office assists Nova Scotians in their understand of the province's fiscal situation. The Department's goals and objectives are supported by Communications's efforts in informing specific stakeholders, and the general public, with timely and reliable information regarding financial reports, including the annual provincial budget. The Department's website is being enhanced to provide up to date information about the department's activities and the province's finances.

The department is pursuing opportunities with other agencies, boards and local governments to assist the department in achieving its goal of financial accountability and to provide a core set of high quality corporate services and infrastructure to support the management of the Provinces's resources. Partnerships have been established within the broader public sector including district health authorities, school boards and municipalities to implement a common Enterprise Resource Management system.

Strategic Goals

5. To enhance financial accountability in the management and control of the Province's finances.
6. To enhance Nova Scotia's long-term fiscal position, provide for fair and efficient taxation, and promote economic growth in a strategic way that balances the social responsibilities of government, and debt reduction.
7. To provide a core set of high quality corporate services and infrastructure that supports the efficient and effective management of the Province's public resources including: government accounting, payroll, pensions, fiscal planning, treasury, statistics, and internal audit.
8. To achieve effective money management that maximizes return on investments and minimizes debt servicing costs, within acceptable risk tolerances.
9. To foster an environment that values its clients and its employees.

The Department's goals directly support the Government's priorities as reflected in Government's stated commitments contained in the Government Business Plan. The activities within each of the core business functions of the Department support these linkages. Economic development is enhanced with the overall fiscal health of the Province and through effective taxation policies. The development of accountability mechanisms of legislation and regulations directly supports the Government's directions. As an integral part of the Department's culture, Finance reviews its services on an ongoing basis and responds to client needs and feedback within its fiscal capacity. All aspects of the Department's core business functions support achieving fiscal stability and building a responsive and accountable government.

Core Business Functions

Financial Accountability

- Provides quality control for the accounting of government financial transactions.
- Prepares quarterly and annual reports that show the fiscal, economic and financial position of the Province.
- Liaises with the Auditor General in conducting the external audit of the Province's finances, conducts internal audits and reviews government programs.
- Participates in the planning and review of the budget process and preparation of the budget documents.*
- Promotes effective financial accountability through expenditure monitoring and financial reporting.*

* These responsibilities are shared with Treasury and Policy Board

Investments, Pensions, and Debt Management

- Manages provincial investments, trust funds, pension funds, liability obligations and treasury operations.
- Administers the Teachers Pension Plan, the Public Service Superannuation Plan, the MLAs'

Pension Plan, the pension plans and insurance programs of the former Sydney Steel Corporation and the Province's Public Service Award Program.

Fiscal Planning and Policy Development

- Provides strong representation and negotiation of Nova Scotia's interests on a wide variety of federal-provincial, regional, and inter-departmental committees and task groups reviewing such issues as the major Federal-Provincial fiscal and taxation arrangements, statistics, and economic policies.
- Prepares four year fiscal plans as the basis for moving to fiscal sustainability.
- Researches and develops a comprehensive, cohesive tax regime which is sensitive to the fiscal, social and economic priorities of Government.
- Enhances accountability and governance structures as they relate to public policy and administration of financial resources.

Corporate Services

- Provides corporate services in government accounting, payroll, pensions, statistics, and internal audit.

Priorities for 2002/03

Financial Accountability

- Deliver a balanced budget in fiscal 2002-03 and produce a four year fiscal plan that meets government's objective to put Nova Scotia's finances in order.
- Continue enhancement of accountability and governance structures as they relate to public policy and administration of financial resources through the government's financial management policies and procedures.
- Continue to improve overall fiscal management by producing relevant and timely financial reports.
- Monitor government's exposure to financial risk on such items as foreign exchange and unforeseen events.
- Implement a common Enterprise Resource Management system in the broader public sector including district health authorities, school boards and municipalities.
- Continue to monitor and report on the fiscal plan in a timely manner, in conjunction with Treasury and Policy Board.

Investments, Pensions and Debt Management

- Finalize documentation of guarantee review process and develop policies for public capital risk allocation methodology.
- Integrate treasury management systems and capital market information systems and accounting systems to enhance the overall control, monitoring, and performance of the Liability Management and Investment Divisions.
- Effectively manage the assets of the Teachers' Pension Plan and Public Service

Superannuation Plan and the pension plans and insurance programs of the former Sydney Steel Corporation.

Fiscal Planning and Policy Development

- Develop a corporate income tax strategy and a process for ongoing evaluation of provincial income tax credits, rebates and tax expenditures.
- Prepare analysis and recommendations on tax policy priorities.
- Provide comprehensive research and analysis to support Nova Scotia's interests in fiscal arrangement negotiations with other governments including the renewal of the Equalization Program, additional health care funding and HST revenue allocation.
- Provide support to Provincial-Territorial Finance Ministers deliberations as Nova Scotia assumes the key responsibilities associated with chairing this committee commencing in August 2002 to August 2003.
- Monitor and develop economic forecast information and analysis and enhance the economic models to support the accurate and timely development of forecasts of Nova Scotia's economic performance.
- Implement recommendations of the action plan of the Statistical Needs and Capacity Survey of Nova Scotia.
- Develop a surplus management and debt policy, to achieve government's objective of fiscal sustainability.

Corporate Services

- Provide improved government access to a wider range and detail of social and economic statistics to support evidence-based management and policy development.
- Continue to provide leadership and co-ordination to the implementation of standard accounting software and systems for the provincial public sector.
- Provide guidance and support to departments and agencies on significant accounting and financial issues.
- Provide corporate internal audit services for the provincial government.
- Deliver pension services to plan members and beneficiaries, effectively and efficiently.
- Provide payroll and government accounting services for the provincial government.

The development of the department's human and technical resources is central to its ability to deliver the core business functions. The following priorities are aimed at achieving this goal:

- Contribute to the quality and professionalism of human resource management in the department.
- Continue to develop a productive and skilled workforce in a healthy and safe work environment.
- Acquire and develop technologies to improve productivity and output quality.
- Continue to improve staff training opportunities to provide the skills necessary to achieve the Department's strategic goals.

Budgeting Context

Department of Finance- Estimated Expenditures by Core Business	**Forecast 2001-02 Net**	**Budget 2002-03 Net**
	$ Thousands	**$ Thousands**
Financial Management *Controller's Office, Government Accounting (compliance functions) Corporate Financial Management System (CFMS)*	5,953.7	5,648.0
Investments, Pensions & Debt Management *Exec. Director, Investment Management, Treasury Services, Liability Management and Cash Management*	900.9	865.0
Fiscal Planning & Policy Development *Exec. Director, Tax Policy, Revenue & Fiscal Transfers, Economic Policy & Analysis, Policy & Planning*	1,471.5	1,455.0
Corporate Financial Services *Government Accounting (operational), Payroll, Corporate Internal Audit, Pensions Services, Statistics*	2,425.6	2,361.4
Administration and Support *Minister and Deputy Office, Legal Services, Communications, Administrative Services, Human Resources, Financial Services (The Department of Finance provides Financial and Human Resources services to a number of other departments and agencies. IT CSU included in 2001-2002 only. As of April 1, 2002, the Department of Finance receives IT support from the Resources CSU.)*	3,205.2	2,999.6
Prior Years' Recoveries	(856.9)	0.0
Total - Program Expenses net of Recoveries	13,100.0	13,329.0
Salaries and Benefits (Gross)	10,656.0	10,917.1
Funded Staff (Gross)	194.0	193.3

The Department of Finance is the corporate central agency for government providing leadership, expertise, analysis and advice to Government on financial, budgetary, taxation, fiscal, economic and statistical matters. Because of the ongoing fiscal challenges, strong leadership in each of these areas is critical as the Province continues its efforts to strengthen its financial position.

Implementation of Enterprise Resource Management Software in the Provincial Public Sector
During the 2000-2001 fiscal year, Executive Council approved the purchase of upgraded software on behalf of the provincial public sector. The new software, *mySAP.com*, is an Enterprise Resource Management tool that allows for substantial improvements for integrating information and reporting across the provincial public sector entities.

In its approval to purchase the software, Executive Council also approved the development of a more detailed program blueprint to describe how this tool could best be used. The Blueprint, with an initial time horizon of three fiscal years, has been approved in principle by Government. Approval to proceed with specific projects is dependent on the annual business planning and budgeting process for participating public sector entities.

The Department of Finance will take a program coordination role in implementation of any of the approved projects. The role of the Department of Finance, on behalf of government, will be to evaluate proposed projects, assign financial resources, ensure compatibility within the overall Blueprint, leverage resources and create economies of scale. Each individual project occurring in a given sector (e.g. school board, municipality) will have its own accountability structure.

In 2001-02, projects underway include school boards and municipalities. There are currently six municipalities in Nova Scotia involved with the program. It is anticipated that by August 2002 all school boards in the province will be live, during the course of the year *mySAP.com* will be rolled out to a number of schools across the province. New projects to be considered in 2002-03, include implementation of the human resources module for the civil service and school boards, and planning for implementation in the district health authorities.

Outcomes and Outcome Measures

See Attachment A, Finance Outcome Measures 2002-03.

Attachment A - Finance Outcome Measures 2002-03				
Financial Accountability				
Outcome	**Indicator**	**Measure**	**Target-2004/05**	**Strategies to Achieve Target**
Effective management of province's financial operating resources.	Accountability and review mechanisms	Outcomes reporting	Reports to be published in a timely manner. Performance indicators to be implemented by 2004/05	Work with Treasury and Policy Board, as appropriate, to develop reports. Develop performance indicators based on CICA indicators. Baseline Data: target three indicators for 2002-03.
	Third party spending (education, health, crown corporations, etc.)	Systems and mechanisms in place to monitor third party spending, percentage of third parties using systems.	Compatible software and consistent accounting treatment for all third party spending	Implement the strategy for the use of SAP in the MASH sector Update school board accounting policies to comply with GAAP Baseline Data: six municipalities currently using SAP, SAP to be implemented in seven school boards.
	Internal Audit Reports	Comprehensive Audit Plan	A multi-year plan that will cover all material areas of risk of government operations	Identify corporate risks and priorities Consult with Deputy Ministers for input Baseline Data: Audit Plan developed with areas of risk identified.
Transparent and open financial reporting	Consistency with CICA guidelines	Degree of consistency	Market acceptance of published statements	Address changes in standards and government reporting model. Maintain current compliance level. Baseline Data: Nova Scotia is currently compliant with GAAP.
	Provision of relevant, timely information to the public	Date annual report is issued	Production of annual reports by end of calendar year.	Map out process/timeline Review other provinces processes Meet with OAG and departments Baseline Data: Annual Report released November 16, 2001

Attachment A - Finance Outcome Measures 2002-03				
		Dates updated forecasts are issued.	Production of quarterly updated forecasts within three months of end of each quarter	Create awareness in media and relevant stakeholders of requirements within Financial Measures Act. Review mechanisms for ensuring transparency of financial forecasting. Baseline Data: reports issues within legislated time frames.

Attachment A - Finance Outcome Measures 2002-03				
Fiscal Planning and Policy Development				
Outcome	**Indicator**	**Measure**	**Target-2004/05**	**Strategies to Achieve Target**
Producing an orderly, prudent and sustainable multi-year fiscal plan	Debt burden	Net debt service costs as percent of revenues, Net direct debt as a percentage of GDP	Slow but steady reduction in these measure	Research 10 year historical results Develop performance indicators for sustainability Baseline Data: 01/02 (E) DSC/Revenues 17.7%, 01/02 (E) NDD/GDP 48.4%
		Surplus Management / Debt Control plan	Plan in place	Develop a surplus management and debt control strategy and plan. Baseline data and outcomes to be established as a component of implementation.
	Credit Rating	Credit ratings of major rating agencies	DBRS long term rating to move from BBB high stable to BBB high positive or A low. Work to improve other ratings.	Continue strong presentations to rating agencies on our fiscal position. Baseline Data: Moody's rating A low ; Standards and Poor A-
	Balanced or surplus budget	Surplus/deficit	Surplus starting in 2002/03	Work closely with Treasury and Policy Board to ensure expenditure control is maintained. Complete implementation of fiscal models to improve in-house revenue forecasting. Baseline Data: four fiscal plan is on target, with first surplus in 02/03

Attachment A - Finance Outcome Measures 2002-03				
Positive climate for investment that stimulates economic growth	Competitive tax environment	Overall corporate income and capital tax burden	Lowest level in Atlantic Region	Development of corporate income tax strategy; maintain comparative tax charts Baseline Data: NS corporate income tax rate (2002) General 16%, Small Business 5%. Capital tax rate (2002) General 0.25%, Banks 3.0%
		Marginal effective personal tax rates	Competitive with other Provinces	Develop options for 10% cut; develop options for platform commitments; maintain comparative tax chart. Baseline Data: NS marginal effective tax rate (2002) Bracket 1- 9.77; Bracket 2- 14.95; Bracket 3- 18.34
		Indirect tax per personal income (total indirect taxes % of personal income)	Remain competitive with other provinces	Continue to monitor tax burden; continue to participate in consumption tax discussions with other jurisdictions and continue analysis and development of recommendations to government. Baseline Data: NS total indirect taxes as a % of personal income is 15.2%
Nova Scotia's interests effectively represented in federal fiscal policies and at federal-provincial discussions related to fiscal arrangements.	Federal government awareness of Nova Scotia issues	Description of issues and initiatives	Keep major issues of importance to Nova Scotia on the priority list of the federal government	Preparation and presentation at the Federal-Provincial tables, of material reflecting key issues and concerns from Nova Scotia's perspective Preparation of briefing material on key issues for use in Ministerial and First Ministers discussions

Attachment A - Finance Outcome Measures 2002-03				
Corporate Services				
Outcome	**Indicator**	**Measure**	**Target-2004/05**	**Strategies to Achieve Target**
Quality business services in the most efficient and effective manner for departments and agencies	Formal reviews of service offerings	Number of formal reviews undertaken in previous three years	Review an average of one major corporate service per year	Confirm review subjects on an annual basis as part of the business planning process Baseline Data: Statistics Division Client review undertaken.

Attachment A - Finance Outcome Measures 2002-03				
Investments, Pensions, and Debt Management				
Outcome	**Indicator**	**Measure**	**Target-2004/05**	**Strategies to Achieve Target**
Efficient and prudent management of the province's financial assets and liabilities	Net debt service costs	Net debt service costs expressed as a percentage of net debt outstanding	Achieve net debt service costs that are comparable to other Canadian provinces.	Continue to manage debt and investment portfolio to achieve desired results within an appropriate level of risk. Baseline Data: NS net debt servicing costs 01/02 (E) 8.01%
	Foreign debt exposure	Percentage of foreign debt in debt portfolio	Foreign debt not more than 20% of total debt	Continue to refinance maturing debt in net Canadian dollar exposure. Baseline Data: March 31/01 NS had 30.8 % of portfolio held in foreign debt
Secure provincial public pension plans	Financial strength of Public sector pension plans	Funded status of Teachers Pension Plan and Public Service Superannuation Plan	100% funded status for PSSF and TPPF over three year average	Continue to manage pension funds to maximize rate of return within an appropriate level of risk. Baseline Data: PSSF unfunded liability 4.9%, TPPF unfunded pension liability 12.8%.

Attachment A - Finance Outcome Measures 2002-03				
Goal - Developing a Quality Organization				
Outcome	**Indicator**	**Measure**	**Target-2004/05**	**Strategies to Achieve Target**
Well-qualified and productive employees	Investing in staff	Training	Comparable to other provinces and jurisdictions	As part of annual performance appraisal process, responsible managers/supervisors would identify training requirements with employees aimed at both ensuring they have the tools necessary to perform their roles as well as individual personal development. Baseline Data: all MCP positions to be evaluated by May, 2002
		Personal career planning	100% access for employees wanting support in this area	In tandem with the annual performance appraisal process, managers/supervisors will discuss, with their employees, their individual career plans, determine how they fit into the direction of the organization, and from there determine the appropriate steps to take in order to achieve their career goals. Baseline Data: all MCP's to have performance evaluations performed by May, 2002